



Department of Justice

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JUSTICE DEPARTMENT SUES GENERAL ELECTRIC CO. FOR USING LICENSING AGREEMENTS WITH HOSPITALS TO RESTRICT COMPETITION

Agreements Forced Hospitals Nationwide to Pay
Inflated Prices to Service their Medical Equipment

WASHINGTON, D.C. -- The Department of Justice filed an antitrust suit today against General Electric Co. charging that the company illegally prevented hospitals across the country that use GE's medical imaging repair software from servicing medical equipment at other hospitals. GE's restrictive licensing agreements caused hospitals to pay substantially more than they would have paid to service their medical imaging equipment, such as MRIs and CT scanners.

Health care providers in the U.S. spend more than \$3 billion a year to have their medical equipment serviced. More than 500 of these licensing agreements are in effect nationwide.

The complaint, which was filed today in U.S. District Court in Montana, alleges that the contracts restricted competition in equipment markets by making it harder to obtain service on some brands of equipment. The Department said that GE obtained the agreements as a condition of granting the hospitals a license to use certain valuable GE software.

"Until this practice is stopped, some hospitals will pay too much to repair medical imaging equipment and ordinary Americans will pick up the tab," said Anne K. Bingaman, Assistant Attorney General in charge of the Department's Antitrust Division. *"This is a very important case, not only because it seeks to restore competition in the medical equipment servicing industry, but also because it demonstrates to all those who license intellectual property that restrictions contained in the licenses must properly promote legitimate business interests and may not simply restrain competition, as do GE's licenses,"* Bingaman added.

GE, which is the world's largest manufacturer of medical imaging equipment such as MRIs and CT scanners, is also a leading provider of service for all types and brands of medical equipment.

Some hospitals prefer to service their medical equipment themselves. Many of these hospitals also want to offer high-quality service to other nearby hospitals or clinics, the Department said. In so doing, they often would compete directly with GE. In sparsely populated rural areas, including Montana, hospitals with in-house service departments may be the only service provider other than GE that is qualified to service some medical equipment.

Hospitals that have in-house service departments and own GE imaging equipment often want to license special software from GE that dramatically improves the speed with which their service engineers can service and repair the hospital's GE imaging equipment. In its complaint, the Department alleged that GE required any hospital seeking such a license to commit that it would not compete with GE in servicing medical equipment of any kind owned by other hospitals, clinics or doctors.

For example, a hospital that licensed GE's software to service its own GE CT scanner agreed not to service an MRI or mammography machine at a neighboring clinic. GE has no legitimate interest in preventing a licensee of its software from servicing another hospital's equipment, the Department said, and if not for GE's licensing restrictions, many of these hospitals would have been offering low-cost, high-quality service to other health care facilities. In effect, GE forced the hospitals to choose between licensing the software, which would have enabled them to lower their own costs, and continuing to offer high quality low cost service to nearby facilities.

In May of this year, GE changed its licensing contracts to make them less restrictive. The new licenses, however, still unreasonably limit the ability of licensed hospitals to compete with GE in servicing some equipment.

For example, a hospital that licenses software for a GE portable x-ray machine still must agree not to service any other GE x-ray equipment, including older x-ray machines that have no capacity to run diagnostic software, the Department alleged.

In its lawsuit, the Department is asking the court to:

- Prohibit GE from including in its license agreements any requirement that hospitals refrain from competing with GE in medical equipment service markets or from servicing equipment sold by GE's competitors.
- Prevent GE from enforcing certain service contracts it has with hospitals that may require the hospitals to pay GE artificially inflated prices to service their equipment.

"The Department's lawsuit seeks to ensure that hospitals, clinics, and doctors' offices across the country will have access to a wider choice of service providers for their medical equipment and will enjoy the benefits of increased price competition among those service providers," Bingaman said. "Patients will be the ultimate beneficiaries of the Department's case."

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GE is headquartered in Fairfield, Connecticut, and through its subsidiary, General Electric Medical Systems based in Waukesha, Wisconsin, and its facility in Japan, manufactures various models of imaging equipment.

No trial date has been set.

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